

NORTH CAROLINA EDUCATION LOTTERY
INVITATION TO BID
SECURITY AUDITOR AND RELATED SERVICES
QUESTIONS AND ANSWERS

1.) What is the Bid Deadline?

The Bid Deadline has been extended. All bids are now due by January 25, 2007, at 4:00 pm EST.

2.) Can financial documents be filed separately in sealed envelopes?

Yes; however, they must accompany the Bid. Pursuant to Section 1.2 all material may be subject to Public Records Laws. The NCEL will make reasonable attempts to protect any Confidential Information that is properly and conspicuously identified.

3.) Is it allowable for Background Disclosure Forms to be submitted separately in sealed envelopes?

See Answer #2 above.

4.) Can any IT-Audit be considered a comparable audit? Is SAS 70 II audit experience required?

Pursuant to Section 4.6, Vendors are encouraged to list any and all audit experience.

On the Cost Proposal, the NCEL requested separate pricing for Security Audit Services and SAS 70 II Audit Services to separately consider Bids for each service. To the extent that a Vendor seeks to perform either or both services, the NCEL will consider audit experience which is directly relevant to the services offered. If the Vendor bids the SAS 70 II portion, then SAS 70 II experience is required.

5.) Are Bidders required to discuss the personnel experience of employees who have lottery experience?

No; however, Vendors are encouraged to include supplemental information regarding their ability to perform the Services required by the ITB.

6.) In addition to the specific areas outlined in Section 4.8.2, are the following areas required to be included in the scope of the audit: retailer management, internal control system (ICS) processing, vendor management/ contract compliance, claims and payment rules, processes and procedures? Which of the services does GTECH provide to the NCEL that will fall within the scope of the SAS 70 II audit?

As part of the responsibilities outlined in Section 4.8.2, the NCEL anticipates that specific systems and processes such as those referenced above will be evaluated. Retailer

management, ICS processing, and vendor management are handled by the NCEL. Validations are processed by the gaming system and should fall within the scope of the SAS 70 II.

7.) Will the SAS 70 II audit be included in the final contract?

Yes; however, the lottery reserves the right to award two separate contracts, one for SAS 70 II Audit Services and one for Security Audit Services.

8.) If the NCEL requires its gaming vendor's instant ticket subcontractor to have an annual SAS 70 Type I or Type II audit will the results be made available to the successfully bidder?

All transactions are handled by the gaming system vender; therefore, the NCEL does not require a SAS 70 II audit of its instant ticket subcontractor.

9.) In section 4.8.2, does "game security" include the full life-cycle of the instant game from design to validation?

The NCEL is seeking reasonable assurances regarding its overall game security. The NCEL expects the Successful Bidder to make recommendations about the audit depth and breadth necessary to provide such assurance.

10.) In Section 4.8.2, does "game security" include those processes and controls required to safeguard unclaimed prizes?

See Answer #8 above. The NCEL currently anticipates that processes and controls required to safeguard unclaimed prizes will be encompassed in the SAS 70 II portion of the audit.

11.) If a Bidder does not submit and/or earn 50 points on Affidavit C, will the Bid be considered non-responsive and removed from further consideration?

Each Bid must contain the relevant Equal Business Opportunity forms. If a Vendor intends to subcontract some portion of the Services, Affidavit A is required. Alternatively, if a Vendor intends to perform all functions with its own workforce, Affidavit B and C are required. In the absence of required forms and/or points, the NCEL will score the Bid based upon the information provided.

12.) Are all expenses for audit services outside of the Raleigh Metro Area included in the fixed fee?

No. Expenses incurred for travel will be reimbursed separately in accordance with the NCEL Travel Policy.

13.) Where are the NCEL and GTECH backup data centers located?

The primary data center is located in Raleigh, NC. The secondary backup data center is located in Austin, TX.

14.) Are the backup data centers operated as hot backups?

Yes.

15.) What is the purpose of including minority-owned business in a company's proposal?

This is a requirement of the North Carolina Lottery Act, specifically N.C.G.S. §18C-151.

16.) Is a business check acceptable in payment of the required Records Check Fee?

Yes.

17.) What type of security and financial systems does the NCEL have in place?

The NCEL operates a state-owned accounting system, a state-owned information technology system, and a commercial physical security system.

18.) Which version of the vendor's online gaming transactions is being used?

Enterprise Series (ES)

19.) Which operating system is used?

IBM AIX – central system servers; Linux - Alturas

20.) Does the point-of-sale application run on the Linux platform?

Yes.

21.) Must the Successful Bidder have an office in the state of North Carolina either now or during the time of engagement?

No.

22.) Will ITIL framework be incorporated into the evaluation along with project management?

No.

23.) Will special certification be required for consultants performing the audit?

No.

24.) Must software used in this effort be PCI Compliant?

No.

25.) How many specific applications will need to be evaluated?

For the NCEL, there are less than twenty (20) applications. For the NCEL's gaming system vendor, there are approximately eight (8) application areas used to manage/ administer the ES system. Each of these functional application areas contains multiple sub-applications.

26.) How many web servers will need to be evaluated?

For the NCEL, there are less than five (5) web servers. For the NCEL's gaming system vendor, there are three (3): ES Portals, Retailer Website, and Business Objects.

27.) How many people does NCEL have in place, by function and location that directly support the lottery system?

The NCEL's gaming system vendor has approximately twelve (12) employees who support the gaming system: an Operations Manager and staff, plus a Systems Administrator. All are located in Raleigh, NC.

28.) What is the total number of IP addresses that will be required to be evaluated as part of the vulnerability assessment?

The NCEL has a 24-bit subnet. The NCEL's gaming system vendor has four (4) main access and network firewalls, encompassing dozens of IP addresses.

29.) What IT control methodologies does NCEL implement across the organization?

This information will be disclosed to the Successful Bidder after the contract has been awarded.

30.) What regulatory reviews rely on the deliverables of this project?

The North Carolina Lottery Act, specifically N.C.G.S. §18C-122, requires an annual audit of all aspects of security in the operation of the Lottery. The final report containing the overall evaluation will be presented to the Lottery Commission, the Governor, and the General Assembly. The portion of the security audit report containing specific recommendations will be presented only to the Executive Director and the Lottery Commission.

There is a statutorily required financial audit and an operational audit, each performed at by an independent third party who may review the final report(s) of the security audit.

31.) Are there any laws, federal or NC state security laws that will be used to evaluate Bidders?

All bids must comply with all applicable state and federal laws.

32.) Will the Successful Bidder be granted remote access to the company's policies and procedures?

The Successful Bidder will not be granted remote access. However, the NCEL's policies and procedures will be shared with the Successful Bidder after the contract has been awarded.

33) Please clarify the two audit cycles.

The first security audit cycle will cover the period from the inception of the lottery (the first instant tickets were sold on March 30, 2006) through December 31, 2006. The second security audit cycle will cover calendar year 2007. The first SAS 70 audit cycle will cover November 2006 through May 2007. The second SAS 70 audit cycle will cover November 2007 through May 2008.

34.) Will NCEL contact Bidders prior to contacting references?

No.

35.) Will work papers and interview notes be required as a part of the deliverables?

No; however, pursuant to Section 3.7, the Successful Vendor shall maintain its books, records, and other evidence pertaining to the Contract for three (3) years.

36.) Will deliverables be shared with a 3rd party or made public?

See Answer #31 above. The portion of the security audit containing the overall evaluation may be made public.

37.) Will the NCEL share intellectual and institutional knowledge with the successful bidder?

Yes, to ensure the success of this effort, any and all valuable knowledge will be shared with the Successful Bidder.

38.) What format requirements will be expected in regard to project status updates and final reports?

Reports shall be presented as an executive summary.

39.) Who is the Commission?

The North Carolina Lottery Commission is a 9-member panel appointed by the Governor, the President of the Senate, and the Speaker of the House and has governing authority over the North Carolina Education Lottery.

40.) Pursuant to Section 4.8.1, is alternative software permitted for use if an agreement is in place?

Alternative software is permitted so long as the Successful Bidder holds a license to the software being used.

41.) Are the plans and functions listed in Section 4.8.2.F requirements in addition to the DR plan?

The NCEL has a Continuity of Operations Plan (COOP) which will be provided to the Successful Bidder.

42.) What is the version of the OLTP system?

This information will be disclosed to the Successful Bidder after the award of the contract.

43.) Is the Enterprise Series wireless/satellite (VSAT) or leased line (ATM) for the terminals?

Primarily Satellite

44.) Who is responsible for user security, retailer management, and financial management?

The Lottery staff

45.) Are there any specific security programs or applications required for application review?

No. Our only requirement is for properly licensed software from the Vendor. Please see Section 4.8.1.

46.) How deep is the code level or vulnerability review?

This information will be disclosed to the Successful Bidder after the award of the contract.

47.) How are wagering transactional functions and the entry of winning numbers handled?

This information will be disclosed to the Successful Bidder after the award of the contract.

48.) Who handles application development and change management?

The NCEL's gaming system vendor's Regional Software Services group and Site Operations group perform these functions.

49.) Who is responsible for physical access?

The NCEL's Security Operations Manager is responsible for physical access to NCEL headquarters and regional offices. The NCEL's gaming system vendor's Technology Section Manager is responsible for physical access to the Primary Data Center Facility.

50.) Is the process for handling Instant tickets and On-line processing the same?

If reference is being made to the transaction processing engine, yes. The same system processes all of the transactions for both instant and online games.

51.) How are agent settlements handled?

The retail accounting period is seven (7) days, Sunday through Saturday. Twenty-one (21) days after activation, instant ticket packs automatically settle. Electronic Funds Transfers (EFTs) are performed on the Tuesday after the end of each accounting period.

52.) What is the validation percentage?

There is no validation percentage because we automatically settle as described above in Answer #51.